

EXHIBIT 20

1
2 IN THE UNITED STATES DISTRICT COURT
3 FOR THE DISTRICT OF PUERTO RICO
4 Case No. 17-BK-3283-LTS

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4 In re:
5 THE FINANCIAL OVERSIGHT AND MANAGEMENT
6 BOARD FOR PUERTO RICO,

as representative of

7 THE COMMONWEALTH OF PUERTO RICO, et al.,

8 Debtors.

9 -----x

Case No. 17-BK-4780-LTS

10 -----x

In re:

11 THE FINANCIAL OVERSIGHT AND MANAGEMENT
12 BOARD FOR PUERTO RICO,
13 as representative of
14 THE PUERTO RICO ELECTRIC POWER AUTHORITY,
15 Debtor.

-----x

16 May 4, 2023

9:38 a.m.

17
18 VIDEOTAPED DEPOSITION of WILLIAM
19 ZARAKAS, held at the offices of Kramer
20 Levin Naftalis & Frankel LLP, located at
21 1177 Avenue of the Americas, New York, New
22 York 10036, before Anthony Giarro, a
23 Registered Professional Reporter, a
24 Certified Realtime Reporter and a Notary
25 Public of the State of New York.

1 WILLIAM ZARAKAS

2 that could be charged, consistent with
3 the three goals listed in this paragraph?

4 A Yes.

5 Q And those are the maximum
6 rates on any given customer class PREPA
7 provides electricity to; correct?

8 A The affordability is
9 primarily at residential customers. But
10 the maximum is for all customers.

11 Q When you say the
12 affordability is primarily for
13 residential customers, what do you mean
14 by that?

15 A The affordability test, some
16 called it wallet, or it's a percentage of
17 spending on electricity. I should say
18 it's the amount spent on electricity as a
19 percentage of income -- in this case
20 median income -- was the test that we
21 applied for affordability.

22 Q And was there any
23 corresponding affordability test applied
24 to non-residential PREPA customers?

25 A No.

1 WILLIAM ZARAKAS

2 A Yes.

3 Q And it should be a short
4 answer.

5 By whom were you instructed?

6 A In collaboration with the
7 board.

8 Q You were instructed by the
9 oversight board not to grow the median
10 income by inflation for purposes of
11 calculating residential affordability in
12 the revenue envelope model?

13 A Yes.

14 Q When did you receive that
15 instruction?

16 A In the development of the
17 model as we were quantifying the model.

18 Q When you received that
19 instruction, did a version of the model
20 already exist?

21 A It was in development.

22 Q Prior to receiving that
23 instruction, had you provided a version
24 of the in-development model to the
25 oversight board? That's a yes or no or I

1 WILLIAM ZARAKAS

2 don't know.

3 A No.

4 Q Absent the instruction of
5 the board, could you have performed an
6 analysis of residential affordability in
7 which you did grow median income by the
8 rate of inflation?

9 A It's possible, yes.

10 Q And do you agree that if
11 median household income grows over time
12 by an assumed rate of inflation, then
13 amounts greater than \$120 a month will be
14 less than 6 percent of that
15 household's -- that median income
16 household's monthly income?

17 A So arithmetically, I think,
18 yes.

19 Q You mentioned earlier that
20 the PREPA's fiscal plan forecast
21 projections are incorporated as an input
22 into the revenue envelope model; correct?

23 A Yes.

24 Q And that those inputs
25 include a rate of inflation; is that

1 WILLIAM ZARAKAS

2 right?

3 A For costs, yes.

4 Q The forecast of PREPA's
5 costs that's incorporated into the
6 revenue envelope model, does that reflect
7 inflationary growth over time?

8 A Yes.

9 Q Do you know whether in the
10 context of the revenue model, capital
11 expenses reflect inflationary growth over
12 time?

13 A I don't know.

14 Q As you sit here today, are
15 you aware of -- strike that.

16 Do you know, as you sit here
17 today, how big PREPA's revenue envelope
18 would be, all other things being equal,
19 if you grew the median income
20 household -- the median household's
21 income -- try it a third time.

22 As you sit here today, do
23 you know how large PREPA's revenue
24 envelope would be if you were to keep the
25 rest of your analysis the same, but grow

1 WILLIAM ZARAKAS

2 A Roughly half.

3 Q Is it the first half?

4 A So it's July through June.

5 So you're asking me when the 2021 fiscal
6 plan starts; correct?

7 Q Close.

8 What was the date on which
9 fiscal -- PREPA's Fiscal Year 2021
10 started?

11 A July 2021.

12 Q Not July 2020, but
13 July 2021? I want to make sure I have it
14 right.

15 A Me too. Yeah. I believe
16 it's July 2021.

17 Q The fiscal year, PREPA's
18 fiscal year doesn't match up with the
19 calendar year; correct?

20 A That's right.

21 Q Did you consider using an
22 average rate for -- try again.

23 In determining the average
24 2021 rate to use in Exhibit 42, did you
25 consider using an average of the two

1 WILLIAM ZARAKAS

2 fiscal year rates that would apply to
3 Calendar Year 2021?

4 A At the time, no.

5 Q Have you considered doing an
6 analysis like that since?

7 A Yes.

8 Q Have you performed such
9 analysis?

10 A We are looking at the PRCS
11 data in much greater detail.

12 Q How so?

13 A Looking at the data, there's
14 some data that might need to be excluded
15 in coming up with the average
16 consumption.

17 Q What kinds of data might
18 need to be excluded in coming up with the
19 average consumption?

20 A I have a team of people
21 looking at it now. So I'm not completely
22 prepared. But, for example, on line 7,
23 that number that you pointed out is \$48.
24 \$48 happens to be \$4 times 12. \$4 is the
25 customer charge that is included in the

1 WILLIAM ZARAKAS

2 provided for by PREPA's 2022 certified
3 fiscal plan?

4 A I believe so, yes.

5 Q And you adopted those
6 changed assumptions at the instruction of
7 EY?

8 A At the instruction of the
9 board.

10 Q And the next row down I want
11 to direct your attention to is labeled
12 total bill, and in parentheses, no debt
13 repayment. You see that?

14 A I do.

15 Q And there's a figure in the
16 first few columns of \$96.81 in that row.
17 You see that as well?

18 A Yes.

19 Q And what does the \$96.81
20 reflect?

21 A The difference between Row 4
22 and the -- I'm sorry. It's the
23 calculation of what the bill would be
24 based on the 425 kilowatt hours per
25 month.

1 WILLIAM ZARAKAS

2 A As I recall, it has
3 different, what are called load modifiers
4 in it.

5 Q Do you recall what some of
6 those different load modifiers are?

7 A Yes.

8 Q What are they?

9 A Energy efficiency,
10 additional photovoltaic adoption,
11 electric vehicles. There might be more.

12 Q Were you involved in
13 preparing PREPA's alternative forecast of
14 net load?

15 A No.

16 Q Was Brattle involved in
17 preparing the alternative forecast?

18 A No..

19 Q Does the revenue envelope
20 model make use of PREPA's alternative
21 forecast of net load in any way?

22 A No.

23 Q Why not?

24 A We were instructed to use
25 the base case which is also the only case

1 WILLIAM ZARAKAS

2 that has the cost and other aspects
3 included in the fiscal plan.

4 Q And who provided that
5 instruction?

6 A The board.

7 Q When you say the board
8 provided that instruction, did you
9 receive that instruction directly from a
10 board member or from advisors?

11 A Typically, through counsel.

12 Q And that's counsel at
13 Proskauer?

14 A Yes.

15 Q Are there any instructions
16 you received in connection with the
17 revenue envelope model that you got
18 directly from board members?

19 MS. DALE: You could answer
20 that yes or no.

21 A Yes.

22 Q Which instructions did you
23 receive directly from board members?

24 Sorry.

25 Which instruction or

1 WILLIAM ZARAKAS

2 understand the question.

3 A Yes.

4 Q Did Brattle determine that
5 revenues in the -- let me try again.

6 Did Brattle determine that
7 revenue envelope revenues should be set
8 aside for those purposes?

9 A I'm sorry. Could you just
10 rephrase it for me?

11 Q Sure.

12 Did Brattle make the
13 determination that some revenue envelope
14 revenues should be set aside to cover
15 additional capital expenditures?

16 A No.

17 Q Who made that determination?

18 A The determination that it
19 should be deducted was the board.

20 Q And did Brattle make the
21 determination that some revenue envelope
22 revenues should be set aside to cover
23 fixed cost under recovery?

24 A No.

25 Q Who made that determination?

1 WILLIAM ZARAKAS

2 A The same answer.

3 Q The oversight board?

4 A Yes.

5 Q Was Brattle instructed to
6 set aside a portion of the revenue
7 envelope revenues to cover both
8 additional capital expenses and fixed
9 cost under recovery?

10 A Yes.

11 MR. MADDEN: Tab 14.

12 Q And sorry, just to be clear,
13 those instructions came from the
14 oversight board or its advisors?

15 A Or counsel.

16 (The above-referred-to
17 document was marked as Exhibit 49 for
18 identification, as of this date.)

19 Q We've marked as Exhibit 49 a
20 spreadsheet that comes -- it's referred
21 to as additional capital expenditures in
22 the revenue envelope and legacy charge
23 model.

24 Do you recognize this
25 spreadsheet? And the exhibit version

1 WILLIAM ZARAKAS

2 Q What was the increase in
3 volumetric charges to accommodate the
4 National deal?

5 A Each individual charge?

6 Q Did the volumetric charges
7 go up, down or stay the same?

8 A Up.

9 Q Was that across all rate
10 classes or only some?

11 A Only some.

12 Q And did you determine, you
13 meaning Brattle, determine the amount by
14 which volumetric charges would go up to
15 accommodate the National deal?

16 A At the direction
17 methodologically of the board.

18 Q And what was the
19 methodological direction provided to you
20 by the board?

21 A I believe it was to increase
22 non-residential volumetric charges. It
23 also might have excluded a small
24 commercial. I can't recall.

25 Q And did those changes made

1 WILLIAM ZARAKAS

2 extent of the rate change to make to
3 accommodate the National settlement;
4 correct?

5 A Yes.

6 Q Were you given an amount by
7 which you needed to increase the amount
8 of revenues remaining?

9 A I believe so, yes.

10 Q And that amount was an
11 instruction from the board as well?

12 A The board, its advisors, our
13 counsel.

14 Q And so Brattle, consistent
15 with the direction about which rates to
16 change, worked backwards from the
17 additional revenues remaining it needed
18 to find to change volumetric rates;
19 correct?

20 A Yes.

21 Q Other than those changes,
22 can you think of any other changes made
23 to the revenue envelope and legacy charge
24 model since the version presented to the
25 board and its advisors in late 2022?